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Who will drive Europe's automotive industry forward?

Why OEMs and suppliers need new talent, skills and experience in the boardroom

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Europe's automotive industry is finally beginning to emerge from the sales slump that followed the global financial crisis of 2007-8. New car registrations across the European Union rose by 5.7 per cent during 2014 according to the European Automobile Manufacturers Association, the first year of positive growth since 2007. Commercial vehicle sales were even stronger, rising 8.8 per cent over the first 11 months of the year.

However, while the sector may finally have turned the corner, there can be no return to pre-2007 business as usual. This is an industry that has been scarred by the difficulties of recent years – now both original equipment manufacturers (OEMs) and suppliers alike must equip themselves to confront the realities of doing business in a climate that has completely changed.

For one thing, the economic headwinds are fierce. With a Eurozone still struggling to overcome deflation and recession, a deteriorating outlook in Eastern Europe, and a UK economy where growth forecasts are now being downgraded, the prevailing climate for automotive businesses is anything but benign. And while the recent drop in the value of the euro may have given a short-term boost to the sector's competitiveness, at least for those businesses operating in the single currency zone, it cannot hope to compete on cost while its labour markets remain so inflexible compared to other less regulated regions.

At the same time, other key trends present their own challenges. Not least, car buyers' tastes and attitudes have changed. "Consumers appear to be rethinking their long love affair with individual automobile brands and viewing cars more as transportation machines," says PwC in its latest annual Auto Industry Trends report¹. At the same time, the automotive industry continues to be presented with tighter regulation, both on vehicle safety and environmental issues. Plus there is the need to accommodate new technologies, particularly digital advances, in new models.

The bottom line is that the skills and experience needed to run a successful European automotive business are very different to what was required prior to the financial crisis. In particular, the automobile executive of today is likely to need some or all of the following six attributes:

Change management skills

"The current trading environment makes it imperative for European automotives to reduce cost and one obvious way to do that is to move manufacturing to less costly locations, particularly in Eastern Europe," says Frank Smeekes, managing director for Europe at DHR International. "That goes for both the OEMs and their suppliers, who need to be near them, but relocating manufacturing facilities is a complicated logistical exercise."

Executives with experience of making these sort of changes, either from within the automotive industry, or from the wider engineering and manufacturing sector, are increasingly in demand amongst Europe's automotive companies. But it's not just expertise in moving physical assets and processes that is required, warns Smeekes, but also people management and HR skills. "There is a need for people who know how to negotiate with works councils and trade unions, for example, and who understand how to close existing facilities down while simultaneously opening new plant elsewhere."

These sort of challenges also prompt difficult supply chain challenges, with production increasingly being broken up and sourced from manufacturers that may be based all around the world. Some automotive businesses are now looking well beyond their traditional recruitment pools – to industries such as IT, for example, which have a longer history of working with such fragmented supply chains.

Emerging market experience

Emerging economies represent automotive companies' best chance of renewing the growth now lacking in their traditional markets, though these are volatile areas in which to do business – vehicle sales in South America were down 15 per cent last year, for example, while India and China have seen slowing demand too.

European automotive businesses selling into these markets without the benefit of senior executive experience of doing business within them are likely to get their fingers burned, warns Smeekes. "Emerging market experience has become a crucial attribute for a senior automotive company executive," says Smeekes. "To understand the culture of these markets, you need to have lived and worked in them".

Within the automotive industry, executives with experience at Japanese companies, say, may have crucial insights on Japanese markets, though Western companies with longstanding emerging market operations – GM and VW to name just two – have also produced good candidates.

But Europe's automotive companies may also need to look further afield for candidates with experience of selling Western products into developing economies, particularly given the premium pricing of their vehicles – to sectors such as luxury goods, for example.

Consumer-facing branding expertise

"The marketing cycles for automotive companies are very long and you can't change the image of a car manufacturer overnight," says Xavier Alix, executive vice president at DHR International. "But the changing tastes and needs of consumers means marketing executives now have a decision to make: do they invest in order to sell what their engineers have designed, or does marketing and branding need to be better integrated into the engineering process from the start?"

In an industry where differentiation is becoming both more difficult and more important – certainly in Europe and the US – the latter approach may be more effective, but it will require a shift in mentality on the part of automotive companies.

That may require a leap of faith – the hiring of executives from industries such as consumer goods, who have the experience of establishing product differentiation in crowded marketplaces where customers are primarily focused on functionality.

Automotive businesses, particularly the OEMs, certainly need to develop a better understanding of their customers – they need executives who can demonstrate a track record of delivering customer centricity; such individuals may be in relatively short supply within the automotive sector itself.

A broad view of innovation

“Automotive companies need managers who can deliver innovation,” says Thorsten Otremba, executive vice president at DHR International. “That means executives of both OEMs and suppliers will need to have technical knowledge and experience – otherwise, they will struggle to drive the innovation necessary.”

At first sight, that implies it will be difficult to look beyond the industry for innovation leaders. However, the next wave of innovation in the automotive sector will be different to what has gone before. In particular, we are seeing automotive businesses become much more focused on collecting data – both on their customers and their vehicles. More of this information will become available as the Internet of Things proliferates, but if businesses are to successfully exploit data and analytics, they will need an influx of new talent.

Within vehicles, the innovation focus is also on new types of technology – from better digital connectivity to safety features such as back-up cameras, which are increasingly likely to be compulsory in certain markets. Driverless technology looks set to be a continuing theme too while environmental issues will remain front and centre.

This is not to say that automotive companies can do without innovation from their engineering and manufacturing teams. Rather, the point is that the battle to innovate is now being fought in many more arenas than the past. Not all automotive companies have the right leadership to confront each of these challenges. In future, Google, for example, is as likely to appear on an automotive executive’s CV as BMW.

Project management ability

“One notable feature of modern European automotive companies is that they are far more complex organisations than in the past,” adds Otremba. “They may be operating in every region of the world, with manufacturing, engineering, R&D and other functions taking place in multiple centres of excellence.”

Running such complicated businesses takes a certain type of executive, Otremba warns. “You’re going to need advanced business management skills and experience in order to be able to manage the interfaces between and within these organisations,” he says. “You’re also going to need the ability to deliver projects, initiatives and processes despite the clash of cultures that are certain to occur in such diverse companies.”

In practice, suggests Otremba, this suggests that at board level at least, automotive executives will need to have lived and worked in different countries and operated in different cultures. Businesses may also have to become more flexible about where their senior executives are based – if talent is to be recruited from a global pool, companies may have to accept that their executives will want to work out of particular offices, countries or regions, and find ways to accommodate those desires.

Europe's automotive companies have traditionally been centralised businesses tightly controlled by senior leadership. But more complex organisations may need to devolve power to a broader group of executives – if so, they'll need talented senior staff ready to take on additional responsibility.

Vision and charisma

The final piece of the jigsaw is that Europe's automotive companies will need strong, charismatic leadership if they are to drag their businesses into the new world that is now emerging. Reluctant leaders who are unable to articulate a vision for their businesses – and to persuade senior and junior colleagues alike to sign up to that vision – have little chance of being able to change their businesses.

For many automotive companies, that presents a dilemma. The pool of leaders with such skills – and the other attributes detailed in this paper – is of a limited size and there may not be enough career automotive executives to go round. "Hiring from outside automotive has been rare in the past, certainly for the OEMs and tier one suppliers, but that may now have to change," says Alix.

For now, he warns, automotive companies are mostly playing it safe, sticking to hiring from within rather than looking to hire the most senior talent from other industries. The pressure, however is rising. "One or two successful non-industry senior leadership hires at a market leader such as one of the German manufacturers could change the game," Alix forecasts.

Andy Palmer is the Chief Executive Officer of Aston Martin

"Leading automotive companies need leaders with an ever wider range of abilities and that is continuing to narrow the pool of available talent. We want leaders who are excellent engineers but who also understand how to be marketers – and are financially astute too. Even in specific disciplines, our needs are growing – in marketing, for example, we still need creative people but the advent of digital technologies has meant we also now look for people with backgrounds in science or mathematics.

"The more criteria you add to your search when you're looking for senior executives, the fewer potential candidates you will find. That requires the automotive sector to broaden its search.

What Europe's automotive leaders say

“It remains difficult in my view to recruit the most senior leaders from outside the automotive sector, though there have been exceptions. But we can be much more internationally minded during the search process, casting the net much further afield to find the best talent.

“In any case, international experience, including stints in both developed and developing markets, is a crucial attribute for a modern automotive company leader. In a global marketplace, this is essential.

“Career planning in the sector is improving, as automotive businesses recognise the need to increase the pipeline of future leaders. But while it’s possible to map out structured career paths for people and to plan succession strategies well in advance, things don’t always work out as you expected and there also needs to be flexibility.”

Robert De Vaucorbeil is Chief Human Resources Officer at WABCO

“When I look at senior management positions in the company today, internal candidates typically can fill 55 to 60 per cent of them. Alongside bringing in fresh talent perspective, I believe that internal talent development is critical to help preserve the unique culture of our organization. We continue to develop the next generation of leaders from a highly diverse, global pool and have invested heavily in our leadership development programme, which operates on two levels.

“I avoid the cookie-cutter approach in favour of a mantra to ‘Be yourself, but better’. In addition to preparing high potential talents for executive leadership, we encourage our leaders from the onset to develop their own vision and convictions and to demonstrate their unique qualities and leadership potential, particularly in leading diverse and remote teams.

“One thing we work very hard at within the programme is to help our future leaders hone their ‘anticipation’ skills – we want them to know how to read markets, to analyse and connect diverse streams of information and to be confident to plan for potential situations. The automotive sector faces intense pressure from many new sources, and the pace of change continues to accelerate, so anticipation and creativity are becoming even more crucial.

“Today’s leaders must also be courageous and have resilience, but they also need to be flexible – to be able to anchor themselves within an environment as it changes around them, constantly challenging assumptions and adapting strategies as new circumstances emerge.”

Didier Leroy is President of Toyota Motor Europe

“There was a time when the challenge for automotive companies was to recruit people with the strongest technical knowledge, but today that isn’t enough – today we need leaders with the ability to both manage the business today and to set out a vision for its medium- to long-term strategy.

“Finding people who can do both at the same time is very difficult. I look for people who show three characteristics: a passion for people in their management style, the ability to set out a vision for the future based on a good understanding of the realities of today, and the capability to manage today’s business and show accountability for their actions.

“Such people are in short supply – and we also see a problem in recruiting technical people because while 30 years ago, students were interested in engineering, today they wonder about the future of automotive and whether they should opt for other industries instead.

“We are working hard on internal talent programmes in order to generate the next generation of leaders but we’re also looking to people from a much wider range of industry backgrounds. I’m fully open to recruiting senior people with absolutely no track record in automotive – if their skills are right, they’re welcome here.”

Nurdal Kuecuekkaya is President of Halla Visteon Climate Control (HVCC) Europe.

“The skillset required at the top of automotive businesses hasn’t changed: what we need most of all is leaders – those rare individuals with the ability to ‘know the way, show the way and go the way’. They need other skills too, of course, whether financial, commercial or technical, but these can be learned or taught and that is not true to the same extent of leadership ability.

“It’s certainly true that these people are in short supply, but I think that’s true in many business sectors. We may have to be more imaginative about where we recruit from. There are certain roles for which it has never occurred to me to look beyond the sector when recruiting – engineering is a good example – but there are plenty of other areas where we can and do bring talented people in from other industries and we will need to do more of that. I’m thinking of roles in areas such as finance, HR and logistics, for example.

“We also need international diversity at the top of our businesses. Companies want to be global businesses, but this is very difficult to achieve unless they have people who understand cultural diversity of different markets. This is why we are keen to have a very diverse leadership team because so are the markets we serve.”



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